

CITY OF ATLANTIC, IOWA
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2014

CITY OF ATLANTIC, IOWA
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CITY OF ATLANTIC, IOWA
OFFICIALS
June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2014)		
David R. Jones	Mayor	January, 2014
Steve Livengood	Council Member	January, 2014
Shawn Shouse	Council Member	January, 2014
Kathy Somers	Council Member	January, 2014
Dana Halder	Council Member	January, 2016
Linda Hartkopf	Council Member	January, 2016
Ashley Hayes	Council Member	January, 2016
Chris Jimerson	Council Member	January, 2016
Doug Harris (Resigned October, 2014)	City Administrator	
Deb Wheatley Field	City Clerk/Treasurer	January, 2014
David L. Wiederstein	City Attorney	January, 2014
(After January, 2014)		
David R. Jones	Mayor	January, 2018
Lori Stuart	Council Member	January, 2018
Bob Cord	Council Member	January, 2018
Kathy Somers	Council Member	January, 2018
Dana Halder	Council Member	January, 2016
Linda Hartkopf	Council Member	January, 2016
Ashley Hayes	Council Member	January, 2016
Chris Jimerson	Council Member	January, 2016
John Lund (Started October, 2014)	City Administrator	Indefinite
Deb Wheatley Field	City Clerk/Treasurer	January, 2016
David L. Wiederstein	City Attorney	January, 2016

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

City of Atlantic's Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

To the Honorable Mayor and
Members of the City Council

Opinions

Basis for Adverse Opinion on the Discretely Presented Component Unit

The financial statements do not include financial data for the City's discretely presented component unit because the Atlantic Municipal Utilities System reports in accordance with U.S. generally accepted accounting principles, a different financial reporting framework than the City's cash basis of accounting. Accounting principles applicable to the cash basis of accounting require the financial data for all component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity which include the financial data of all component units. The City has not issued such reporting entity financial statements. The amount by which this departure affects cash and cash basis net position of the aggregate discretely presented component unit has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City of Atlantic as of June 30, 2014, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Atlantic's basic financial statements. The financial statements for the nine years ended June 30, 2013 (none of which are presented herein), were audited by other auditors whose report expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in page 1 and pages 29 through 35, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Honorable Mayor and
Members of the City Council

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 5 through 5e and 27 through 28 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 28, 2015 on our consideration of the City of Atlantic's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Atlantic's internal control over financial reporting and compliance.

Gme Wold, Ben, Kyhn & Co. P.C.

Atlantic, Iowa
January 28, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Atlantic has prepared the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 25.5%, or approximately \$2,541,000, in fiscal year 2014 from fiscal year 2013. Bond and note proceeds decreased approximately \$2,677,000 while charges for services increased approximately \$354,000 and property tax increased approximately \$102,000.
- Disbursements of the City's governmental activities decreased 6.0%, or approximately \$655,000, in fiscal year 2014 from fiscal year 2013. Capital projects function disbursements decreased approximately \$459,000, while disbursements for the debt service function increased approximately \$275,000.
- The City's total cash basis net assets decreased 28.2%, or approximately \$2,689,000, from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities decreased approximately \$2,608,000 and the cash basis net position of the business type activities decreased approximately \$81,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the Government-wide Financial Statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefitting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position present the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position are divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, solid waste, and storm sewer activities. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These funds focus on how money flows into and out of the funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Storm Water and Sewer Funds; the Sewer Fund is considered to be a major fund of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's balance for governmental activities decreased approximately \$2,608,000 from a year ago. The analysis that follows focuses on the cash balances for governmental activities.

Change in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2014	2013
Receipts		
Program Receipts		
Charges for Service	\$ 442	\$ 88
Operating Grants, Contributions and Restricted Interest	1,636	1,709
Capital Grants, Contributions and Restricted Interest	503	635
General Receipts		
Property Tax	3,641	3,539
Tax Increment Financing	176	87
Local Option Sales Tax	776	832
Hotel/Motel Tax	56	59
Unrestricted Interest on Investments	77	2
Bond Proceeds	--	2,677
Other General Receipts	133	353
Total Receipts	<u>7,440</u>	<u>9,981</u>
Disbursements		
Public Safety	1,930	2,145
Public Works	1,324	1,468
Culture and Recreation	719	757
Community and Economic Development	226	269
General Government	580	611
Debt Service	1,614	1,339
Capital Projects	3,878	4,337
Total Disbursements	<u>10,271</u>	<u>10,926</u>
Change in Cash Basis Net Position Before Transfers	(2,831)	(945)
Transfers, Net	<u>223</u>	<u>937</u>
Change in Cash Basis Net Position	(2,608)	(8)
Cash Basis Net Position Beginning of Year	<u>7,419</u>	<u>7,427</u>
Cash Basis Net Position End of Year	<u>\$ 4,811</u>	<u>\$ 7,419</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The City's total receipts for governmental activities decreased 25.5% or approximately \$2,541,000. The total cost of all programs and services decreased by approximately 6.0% or approximately \$655,000, due to a decrease in capital project expenditures.

The cost of all governmental activities this year was approximately \$10,271,000 compared to approximately \$10,926,000 last year.

Change in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2014	2013
Receipts		
Program Receipts		
Charges for Service		
Sewer	\$ 1,594	\$ 1,594
Storm Water	214	187
Operating Grants, Contributions and Restricted Interest	3	33
General Receipts		
Other General Receipts	39	--
Bond Proceeds	--	7,998
Total Receipts	<u>1,850</u>	<u>9,812</u>
Disbursements		
Sewer	1,636	3,442
Storm Water	72	113
Total Disbursements	<u>1,708</u>	<u>3,555</u>
Change in Cash Basis Net Position Before Transfers	142	6,257
Transfers, Net	<u>(223)</u>	<u>(937)</u>
Change in Cash Basis Net Position	(81)	5,320
Cash Basis Net Position - Beginning of Year	<u>2,120</u>	<u>(3,200)</u>
Cash Basis Net Position - End of Year	<u>\$ 2,039</u>	<u>\$ 2,120</u>

Total business type activities receipts for the fiscal year were approximately \$1,850,000 compared to approximately \$9,812,000 last year. The decrease was due to a decrease in bond proceeds of approximately \$7,998,000. The cash balance decreased by approximately 3.8% or \$81,000 from the prior year. Total disbursements and transfers for the fiscal year decreased by approximately 57.0% to a total of approximately \$1,931,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Atlantic completed the year, its governmental funds reported a combined fund balance of \$4,651,000, a decrease of approximately \$2,621,000 from last year's total of \$7,272,000. The following are changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased by approximately \$680,000 from the prior year to \$2,488,000.
- The Employee Benefits Fund cash balance increased approximately \$35,000 to approximately \$186,000.
- The Debt Service Fund cash balance decreased approximately \$147,000 to approximately \$215,000.
- The Capital Projects Fund cash balance increased by approximately \$3,200,000 to approximately \$822,000.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Sewer Fund cash balance decreased by approximately \$131,000 to approximately \$1,804,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once, which increased budgeted disbursements by \$4,397,900. The budget increase was primarily for disbursements in the capital projects function.

The City's total receipts and disbursements were less than budgeted by approximately \$692,000 and \$4,296,000, respectively. The City's disbursements were less than amounts budgeted for all of the functions.

DEBT ADMINISTRATION

At June 30, 2014, the City had \$21,402,865 in bonds and other long-term debt, compared to \$22,863,445 last year as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year Ended June 30,	
	2014	2013
General Obligation Bonds	\$ 9,615,000	\$ 10,680,000
Tax Increment Financing Revenue Bonds	63,000	92,000
Revenue Bonds	<u>11,724,865</u>	<u>12,091,445</u>
Total	<u>\$ 21,402,865</u>	<u>\$ 22,863,445</u>

The Constitution of the State of Iowa Limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$ 9,615,000 is below its constitutional debt limit of approximately \$16,163,809.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Atlantic's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates and fees charged for various City activities.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are approximately \$8.6 million, a decrease of 12% from the final fiscal year 2014 budget. Budgeted disbursements are expected to decrease approximately \$2.1 million, or 18%. The City has added no major new programs or initiatives to the fiscal year 2014 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deb Wheatley Field, City Clerk, Atlantic, Iowa.

CITY OF ATLANTIC, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2014

		Program Receipts	
		Charges for	Operating Grants,
	Disbursements	Service	Contributions,
			and Restricted
			Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 1,930,214	\$ 50,578	\$ 17,282
Public works	1,323,582	234,329	718,615
Culture and recreation	718,912	39,667	234,984
Community and economic development	225,955	36,397	181,590
General government	579,605	80,537	478,867
Debt service	1,613,819	--	4,500
Capital projects	3,878,443	--	--
Total governmental activities	10,270,530	441,508	1,635,838
Business type activities:			
Sewer	1,635,515	1,593,545	2,417
Storm water	72,255	214,238	280
Total business type activities	1,707,770	1,807,783	2,697
Total	\$ 11,978,300	\$ 2,249,291	\$ 1,638,535
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Hotel/motel tax			
Unrestricted interest on investments			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
\$ --	\$(1,862,354)	\$ --	\$(1,862,354)
--	(370,638)	--	(370,638)
--	(444,261)	--	(444,261)
--	(7,968)	--	(7,968)
--	(20,201)	--	(20,201)
--	(1,609,319)	--	(1,609,319)
<u>503,055</u>	<u>(3,375,388)</u>	<u>--</u>	<u>(3,375,388)</u>
<u>503,055</u>	<u>(7,690,129)</u>	<u>--</u>	<u>(7,690,129)</u>
--	--	(39,553)	(39,553)
<u>--</u>	<u>--</u>	<u>142,263</u>	<u>142,263</u>
<u>--</u>	<u>--</u>	<u>102,710</u>	<u>102,710</u>
<u>\$ 503,055</u>	<u>(7,690,129)</u>	<u>102,710</u>	<u>(7,587,419)</u>
	2,645,421	--	2,645,421
	995,227	--	995,227
	176,001	--	176,001
	776,080	--	776,080
	55,691	--	55,691
	77,437	--	77,437
	132,985	39,218	172,203
	<u>222,565</u>	<u>(222,565)</u>	<u>--</u>
	<u>5,081,407</u>	<u>(183,347)</u>	<u>4,898,060</u>
	(2,608,722)	(80,637)	(2,689,359)
	<u>7,419,559</u>	<u>2,120,296</u>	<u>9,539,855</u>
	<u>\$ 4,810,837</u>	<u>\$ 2,039,659</u>	<u>\$ 6,850,496</u>

CITY OF ATLANTIC, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2014

		<u>Program Receipts</u>
		<u>Operating Grants, Contributions, and Restricted Interest</u>
	<u>Disbursements</u>	<u>Charges for Service</u>
Cash Basis Net Position		
Restricted:		
Expendable:		
Streets		
Local option sales tax		
Debt service		
Capital projects		
Tax increment financing		
Other purposes		
Unrestricted		
Total cash basis net position		

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
	\$ 451,022	\$ --	\$ 451,022
	253,935	--	253,935
	215,101	--	215,101
	821,739	--	821,739
	28,296	--	28,296
	393,033	--	393,033
	<u>2,647,711</u>	<u>2,039,659</u>	<u>4,687,370</u>
	<u>\$ 4,810,837</u>	<u>\$ 2,039,659</u>	<u>\$ 6,850,496</u>

CITY OF ATLANTIC, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2014

	<u>General</u>	<u>Special Revenue Employee Benefits</u>	<u>Debt Service</u>
Receipts:			
Property tax	\$ 1,769,258	\$ 814,149	\$ 982,209
Tax increment financing	--	--	--
Local option sales tax	169,259	--	--
Other city tax	24,945	10,986	13,018
Licenses and permits	78,881	--	--
Use of money and property	73,431	113	524
Intergovernmental	138,873	--	4,500
Charges for service	323,523	--	--
Miscellaneous	715,147	25,049	--
Total receipts	<u>3,293,317</u>	<u>850,297</u>	<u>1,000,251</u>
Disbursements:			
Operating:			
Public safety	1,441,407	438,155	--
Public works	465,113	188,842	--
Culture and recreation	624,273	94,639	--
Community and economic development	84,791	--	--
General government	464,930	94,068	--
Debt service	--	--	1,499,525
Capital projects	--	--	--
Total disbursements	<u>3,080,514</u>	<u>815,704</u>	<u>1,499,525</u>
Excess (deficiency) of receipts over (under) disbursements	212,803	34,593	(499,274)
Other financing sources (uses):			
Sale of assets	42,253	--	--
Operating transfers in	549,575	--	477,982
Operating transfers out	(125,113)	--	(125,814)
Total other financing sources (uses)	<u>466,715</u>	<u>--</u>	<u>352,168</u>
Change in cash balances	679,518	34,593	(147,106)
Cash balances beginning of year	<u>1,808,631</u>	<u>151,150</u>	<u>362,207</u>
Cash balances end of year	<u>\$ 2,488,149</u>	<u>\$ 185,743</u>	<u>\$ 215,101</u>

(continued next page)

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 26,083	\$ 3,591,699
--	176,001	176,001
310,312	296,509	776,080
--	--	48,949
--	--	78,881
2,191	1,178	77,437
402,861	718,001	1,264,235
--	--	323,523
<u>283,854</u>	<u>19,060</u>	<u>1,043,110</u>
<u>999,218</u>	<u>1,236,832</u>	<u>7,379,915</u>
--	50,652	1,930,214
--	669,627	1,323,582
--	--	718,912
--	141,164	225,955
--	20,607	579,605
--	114,294	1,613,819
<u>3,878,443</u>	<u>--</u>	<u>3,878,443</u>
<u>3,878,443</u>	<u>996,344</u>	<u>10,270,530</u>
(2,879,225)	240,488	(2,890,615)
--	4,915	47,168
170,263	13,156	1,210,976
<u>(491,033)</u>	<u>(246,451)</u>	<u>(988,411)</u>
<u>(320,770)</u>	<u>(228,380)</u>	<u>269,733</u>
(3,199,995)	12,108	(2,620,882)
<u>4,021,734</u>	<u>928,435</u>	<u>7,272,157</u>
<u>\$ 821,739</u>	<u>\$ 940,543</u>	<u>\$ 4,651,275</u>

CITY OF ATLANTIC, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2014

	<u>General</u>	<u>Special Revenue Employee Benefits</u>	<u>Debt Service</u>
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ --	\$ --	\$ --
Local option sales tax	--	--	--
Debt service	--	--	215,101
Capital projects	--	--	--
Tax increment financing	--	--	--
Other purposes	--	185,743	--
Assigned to:			
Fire station	125,896	--	--
Unassigned	<u>2,362,253</u>	<u>--</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 2,488,149</u>	<u>\$ 185,743</u>	<u>\$ 215,101</u>

The accompanying notes are an integral part of these statements.

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 451,022	\$ 451,022
--	253,935	253,935
--	--	215,101
821,739	--	821,739
--	28,296	28,296
--	207,290	393,033
--	--	125,896
<u>--</u>	<u>--</u>	<u>2,362,253</u>
<u>\$ 821,739</u>	<u>\$ 940,543</u>	<u>\$ 4,651,275</u>

CITY OF ATLANTIC, IOWA
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS,
 DISBURSEMENTS AND CHANGES IN CASH BALANCES
 TO THE STATEMENT OF ACTIVITIES AND NET POSITION -
 GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2014

Total governmental funds cash balances (page 8)	\$ 4,651,275
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Amounts reported for governmental activities in the Cash Basis
 Statement of Activities and Net Position are
 different because:

The Internal Service Funds is used by management to charge the
 costs of partial self funding of the City's health insurance
 benefit plan to individual funds. A portion of the assets of the
 Internal Service Funds is included in governmental activities
 in the Statement of Activities and Net Position.

159,562

Cash basis net position of governmental activities (page 6)	<u>\$ 4,810,837</u>
---	---------------------

Change in cash balances (Page 8)	\$(2,620,882)
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Amounts reported for governmental activities in the Cash Basis
 Statements of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the
 costs of partial self funding of the City's health insurance
 benefit plan to individual funds. A portion of the change in
 net assets of the Internal Service Fund is included in governmental
 activities

12,160

Change in cash balances of governmental activities (page 6)	<u>\$(2,608,722)</u>
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The accompanying notes are an integral part of these statements.

CITY OF ATLANTIC, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2014

	Enterprise	
	Sewer	Storm Water Nonmajor
Operating receipts:		
Charges for service	\$ 1,593,545	\$ 214,238
Total operating receipts		
Operating disbursements:		
Governmental activities:		
Public safety	--	--
Public works	--	--
Culture and recreation	--	--
Community and economic development	--	--
General government	--	--
Business type activities	654,149	72,255
Total operating disbursements	654,149	72,255
Excess of operating receipts over operating disbursements	939,396	141,983
Non-operating receipts (disbursements):		
Interest on investments	2,417	280
Miscellaneous	37,109	--
Debt service	(677,135)	--
Capital projects	(304,231)	--
Net non-operating receipts (disbursements)	(941,840)	280
Excess (deficiency) of receipts over (under) disbursements	(2,444)	142,263
Operating transfers in	8,212	--
Operating transfers out	(136,763)	(94,014)
Total transfers in (out)	(128,551)	(94,014)
Change in cash balances	(130,995)	48,249
Cash balances beginning of year	1,934,825	179,313
Cash balances end of year	\$ 1,803,830	\$ 227,562
Cash Basis Fund Balances		
Restricted for debt service	\$ 55,296	\$ --
Unrestricted	1,748,534	227,562
Total cash basis fund balances	\$ 1,803,830	\$ 227,562

The accompanying notes are an integral part of these statements.

<u>Enterprise</u>	
<u>Total</u>	<u>Internal Service</u>
\$ 1,807,783	\$ 2,728,096
--	1,157,413
--	505,176
--	326,529
--	27,914
--	373,724
726,404	323,265
<u>726,404</u>	<u>2,714,021</u>
1,081,379	14,075
2,697	194
37,109	--
(677,135)	--
(304,231)	--
<u>(941,560)</u>	<u>194</u>
139,819	14,269
8,212	--
(230,777)	--
<u>(222,565)</u>	<u>--</u>
(82,746)	14,269
2,114,138	153,560
<u>\$ 2,031,392</u>	<u>\$ 167,829</u>
\$ 55,296	\$ --
<u>1,976,096</u>	<u>167,829</u>
<u>\$ 2,031,392</u>	<u>\$ 167,829</u>

CITY OF ATLANTIC, IOWA
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS,
 DISBURSEMENTS AND CHANGES IN CASH BALANCES
 TO THE STATEMENT OF ACTIVITIES AND NET POSITION -
 PROPRIETARY FUNDS

As of and for the year ended June 30, 2014

Total enterprise funds cash balances (page 11)	\$ 2,031,392
--	--------------

Amounts reported for business type activities in the Cash Basis
 Statement of Activities and Net Position are different
 because:

The Internal Service Fund is used by management to charge the
 costs of partial self funding of the City's health insurance
 benefit plan to individual funds. A portion of the assets of the
 Internal Service Funds is included in business type activities
 in the Statement of Activities and Net Position.

8,267

Cash basis net assets of business type activities (page 6)	<u>\$ 2,039,659</u>
--	---------------------

Change in cash balances (Page 11)	\$(82,746)
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Amounts reported for business type activities in the Cash Basis
 Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the
 costs of partial self funding of the City's health insurance
 benefit plan to individual funds. A portion of the change in net
 assets of the Internal Service Fund is included in business type
 activities

2,109

Change in cash balances of business type activities (page 6)	<u>\$(80,637)</u>
--	--------------------

The accompanying notes are an integral part of these statements.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Atlantic, Iowa is a political subdivision of the State of Iowa located in Cass County. It was first incorporated in 1868 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides storm water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Atlantic has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

The financial statements do not include financial data for the Atlantic Municipal Utilities, a legally separate entity which should be reported as a discretely presented component unit.

Excluded Component Unit

The Atlantic Municipal Utilities (Utility), established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Utility is governed by a five-member board appointed by the Mayor and approved by the City Council. In accordance with criteria set forth by the Government Accounting Standards Board, the Utility meets the definition of a component unit which should be discretely presented.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: Cass County Assessor's Conference Board, Cass County Environmental Control Agency, Cass County Emergency Management Commission, Cass County E911 Joint Service Board, SWIPCO - Regional Planning Commission and Cass County Public Safety Commission.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation

Government-wide Financial Statements

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Employee Benefits Fund is used to account for property tax receipts used for payment of employee benefits.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

Enterprise:

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The City reports the following additional proprietary funds:

The Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 - BONDS PAYABLE

Annual debt service requirements to maturity for general obligation bonds, tax increment financing (TIF) revenue bonds and local option sales and services tax revenue bonds are as follows:

Year Ending June 30,	General Obligation Notes & Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 1,130,000	\$ 208,454	\$ 374,053	\$ 364,058
2016	695,000	192,409	391,061	351,753
2017	635,000	177,431	405,464	339,120
2018	640,000	163,125	418,982	326,012
2019	695,000	151,433	433,621	312,453
2020-2024	3,560,000	555,305	2,403,347	1,341,323
2025-2029	2,260,000	121,440	2,505,337	945,934
2030-2034	--	--	2,851,000	553,350
2035-2037	--	--	1,942,000	117,750
	<u>\$ 9,615,000</u>	<u>\$ 1,569,597</u>	<u>\$ 11,724,865</u>	<u>\$ 4,651,753</u>

Year Ending June 30,	Tax Increment Financing Bonds		Total	
	Principal	Interest	Principal	Interest
2015	\$ 30,500	\$ 3,623	\$ 1,534,553	\$ 576,135
2016	32,500	1,868	1,118,561	546,030
2017	--	--	1,040,464	516,551
2018	--	--	1,058,982	489,137
2019	--	--	1,128,621	463,886
2020-2024	--	--	5,963,347	1,896,628
2025-2029	--	--	4,765,337	1,067,374
2030-2034	--	--	2,851,000	553,350
2035-2037	--	--	1,942,000	117,750
	<u>\$ 63,000</u>	<u>\$ 5,491</u>	<u>\$ 21,402,865</u>	<u>\$ 6,226,841</u>

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 - BONDS PAYABLE - Continued

Tax Increment Financing (TIF) Revenue Bonds

These were issued for the purpose of defraying a portion of the cost of carrying out urban renewal projects of the City. The bonds are payable solely from the income and proceeds of the individual urban renewal tax increment financing funds and the property tax to be paid into the funds in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the tax increment financing revenue bonds are to be expended only for purposes consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

Local Option Sales and Services Tax Revenue Bonds

The City has pledged future local option sales and services tax receipts, net of specified allocations and disbursements, to repay \$1,000,000 of local option sales and services tax revenue bonds issued in March, 2004. Proceeds from the bonds provided financing for the cost of the recreation and wellness center. The bonds are payable solely from the proceeds of the local options sales and services tax received by the City in accordance with Chapter 422B.12(3) of the Code of Iowa and are payable through 2025. Annual principal and interest payments on the bonds are expected to require approximately 10% of net receipts. The total principal and interest remaining to be paid on the bonds is \$671,580. For the current year, principal and interest paid and total collections were \$80,004 and \$776,080, respectively. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

The resolutions providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future local option sales and services tax received by the City and the bond holders hold a lien on the future revenues received.
- (b) A local option sales and services tax revenue bond sinking account shall be established to account for 15% of the local option sales and services tax collected.
- (c) Sufficient quarterly deposits shall be made to a sinking account for the purpose of making the bond principal and interest payments when due.

During the year ended June 30, 2014, the City was in compliance with the bond provisions.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 - BONDS PAYABLE - Continued

Sewer Revenue Bonds

On June 24, 2011, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources (DNR) through the State Revolving Fund Loan program for the issuance of up to \$11,717,000 of sewer revenue bonds with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the costs of building a new wastewater treatment plant, and constructing improvements and extensions to the municipal sanitary sewer system.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the sewer revenue bonds. The bonds are payable solely from sewer customer net receipts and are payable through 2037. Annual principal and interest payments on the bonds are expected to require less than 73% of net receipts. The total principal and interest remaining to be paid on the bonds is \$15,496,487. For the current year, principal and interest paid and total customer net receipts were \$677,135 and \$939,396, respectively.

The resolution providing for the issuance of the sewer revenue bonds issued under the loan agreement includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holder holds a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) Sewer user rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the average annual installments of principal and interest on the bonds falling due in the same year.

During the year ended June 30, 2014, the City was in compliance with the bond provisions.

NOTE 4 - PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 - PENSION AND RETIREMENT BENEFITS - Continued

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$172,844, \$165,633, and \$148,760, respectively, equal to the required contribution for each year.

Chapter 410 Police and Fire Pension

Chapter 410 of the Code of Iowa creates a retirement system for police officers and fire fighters of any City qualified to participate under this Chapter. Any duly appointed member of the police and fire departments whose appointment occurred before March 2, 1934 or police and fire fighters who had been making payments of membership fees and assessments prior to July 1, 1971 may be a member of the system. The pension plan is accounted for by the City in the Special Revenue, Police and Fire Pension Funds.

The plan is administered by the Police Pension Board of Trustees and the Fire Pension Board of Trustees and provides retirement, disability and death benefits. The benefits are established under state statute and provide for full retirement benefits at age 50 with 22 years or more of service. Full benefits are equal to 50% of the monthly salary at retirement or disability and 25% of the monthly salary at death.

There are no active participants. Two retirees and certain beneficiaries are currently receiving benefits from the plan. The unfunded past service liability has not been determined.

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, and their spouses. There are 34 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy: The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members ranged from \$598 to \$642 for single coverage and \$1,462 to \$1,555 for family coverage, depending on the plan chosen. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$431,032 and plan members eligible for benefits contributed \$83,388 to the plan.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 6 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. These employees will receive a payout of one-half the total accumulated sick hours, up to 240 hours, upon retirement only. The City's approximate liability for earned vacation, compensatory time and sick leave payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 102,000
Sick leave	130,000
Compensatory time	<u>31,000</u>
Total	<u>\$ 263,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2014.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue	
	Road Use Tax	\$ 36,500
	Tax Increment Financing	41,064
	Capital Projects	254,697
	Debt Service	125,814
	Enterprise:	
	Storm Water	15,000
	Sewer	76,500
		<u>549,575</u>
Special Revenue: Road Use Tax	Special Revenue: Local Option Sales Tax	13,156
Debt Service	General	74,850
	Special Revenue:	
	Tax Increment Financing	27,519
	Capital Projects	236,336
	Enterprise:	
	Storm Water	79,014
	Sewer	60,263
		<u>477,982</u>
Capital Projects	General	50,263
	Special Revenue:	
	Road Use Tax	100,000
	Local Option Sales Tax	20,000
		<u>170,263</u>
Enterprise: Sewer	Special Revenue: Tax Increment Financing	8,212
		<u>\$ 1,219,188</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 - RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2014 were \$118,947.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 - RISK MANAGEMENT - Continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation and airport liability in the amount of \$1,000,000 and \$5,000,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - EMPLOYEE HEALTH INSURANCE PLAN

The City's Internal Service, Medical Benefit Self Insurance Fund was established to account for the partial self funding of the City's health insurance benefit plan. The plan is funded by both employee and City contributions and is administered through a service agreement with Paradigm Benefits. The agreement is subject to automatic renewal provisions. The City assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly premiums of service fees and plan contributions to the Internal Service, Medical Benefit Self Insurance Fund are recorded as disbursements from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Paradigm Benefits from the City's Internal Service, Medical Benefit Self Insurance Fund. The City's contribution to the fund for the year ended June 30, 2014 was \$431,032.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 10 - COMMITMENTS

The City entered into construction contracts for various construction and street improvements during the year ended June 30, 2014. The unpaid contract balances at June 30, 2014 total approximately \$634,000. The unpaid contract balances will be financed with the use of existing funds.

NOTE 11 - SUBSEQUENT EVENT

The City has evaluated all subsequent events through January 28, 2015, the date the financial statements were available to be issued.

NOTE 12 - PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

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OTHER INFORMATION

CITY OF ATLANTIC, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL
FUNDS AND PROPRIETRY FUNDS

Year ended June 30, 2014

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Less Funds not Required to be Budgeted</u>
Receipts:			
Property tax	\$ 3,591,699	\$ --	\$ --
Tax increment financing	176,001	--	--
Other city tax	825,029	--	--
Licenses and permits	78,881	--	--
Use of money and property	77,437	2,891	194
Intergovernmental	1,264,235	--	--
Charges for service	323,523	4,535,879	2,728,096
Miscellaneous	1,043,110	37,109	--
Total receipts	<u>7,379,915</u>	<u>4,575,879</u>	<u>2,728,290</u>
Disbursements:			
Public safety	1,930,214	1,157,413	1,157,413
Public works	1,323,582	505,176	505,176
Culture and recreation	718,912	326,529	326,529
Health and social services	--	--	--
Community and economic development	225,955	27,914	27,914
General government	579,605	373,724	373,724
Debt service	1,613,819	--	--
Capital projects	3,878,443	--	--
Business type activities	--	2,031,035	323,265
Total disbursements	<u>10,270,530</u>	<u>4,421,791</u>	<u>2,714,021</u>
Excess (deficiency) of receipts over (under) disbursements	(2,890,615)	154,088	14,269
Other financing sources (uses), net	<u>269,733</u>	<u>(222,565)</u>	<u>--</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(2,620,882)	(68,477)	14,269
Balances beginning of year	<u>7,272,157</u>	<u>2,267,698</u>	<u>153,560</u>
Balances end of year	<u>\$ 4,651,275</u>	<u>\$ 2,199,221</u>	<u>\$ 167,829</u>

See accompanying independent auditor's report.

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 3,591,699	\$ 3,577,290	\$ 3,577,290	\$ 14,409
176,001	--	166,290	9,711
825,029	990,352	990,352	(165,323)
78,881	28,200	28,200	50,681
80,134	243,770	77,480	2,654
1,264,235	1,416,890	2,702,190	(1,437,955)
2,131,306	2,129,580	2,136,780	(5,474)
1,080,219	189,192	240,892	839,327
<u>9,227,504</u>	<u>8,575,274</u>	<u>9,919,474</u>	<u>(691,970)</u>
1,930,214	1,973,598	2,108,098	177,884
1,323,582	1,406,916	1,412,916	89,334
718,912	965,904	973,904	254,992
--	2,000	2,000	2,000
225,955	263,762	273,512	47,557
579,605	633,005	648,655	69,050
1,613,819	1,859,467	1,859,467	245,648
3,878,443	2,949,532	6,886,532	3,008,089
1,707,770	1,821,803	2,108,803	401,033
<u>11,978,300</u>	<u>11,875,987</u>	<u>16,273,887</u>	<u>4,295,587</u>
(2,750,796)	(3,300,713)	(6,354,413)	3,603,617
<u>47,168</u>	<u>--</u>	<u>27,200</u>	<u>19,968</u>
(2,703,628)	(3,300,713)	(6,327,213)	3,623,585
<u>9,386,295</u>	<u>7,596,632</u>	<u>9,386,301</u>	<u>(6)</u>
<u>\$ 6,682,667</u>	<u>\$ 4,295,919</u>	<u>\$ 3,059,088</u>	<u>\$ 3,623,579</u>

CITY OF ATLANTIC, IOWA
NOTES TO OTHER INFORMATION -
BUDGETARY REPORTING

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$4,397,900. The budget amendment is reflected in the final budgeted amounts.

SUPPLEMENTARY INFORMATION

CITY OF ATLANTIC, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2014

		Special Revenue	
	Road Use	Local Option Sales Tax	Police Pension
Receipts:			
Property tax	\$ --	\$ --	\$ 26,083
Tax increment financing	--	--	--
Local option sales tax	--	296,509	--
Use of money and property	--	273	--
Intergovernmental	710,160	--	--
Miscellaneous	7,791	3,252	--
Total receipts	717,951	300,034	26,083
Disbursements:			
Operating:			
Public safety	--	--	26,974
Public works	654,584	15,043	--
Community and economic development	--	85,416	--
General government	--	20,607	--
Debt service	--	80,004	--
Total disbursements	654,584	201,070	26,974
Excess (deficiency) of receipts over (under) disbursements	63,367	98,964	(891)
Other financing sources (uses):			
Sale of assets	1,115	3,800	--
Operating transfers in	13,156	--	--
Operating transfers out	(136,500)	(33,156)	--
Total other financing sources (uses)	(122,229)	(29,356)	--
Change in cash balances	(58,862)	69,608	(891)
Cash balances beginning of year	509,884	184,327	2,779
Cash balances end of year	\$ 451,022	\$ 253,935	\$ 1,888

(continued next page)

Special Revenue				
Fire Pension	Tax Increment Financing	Grant Matching	Police Forfeiture	Total
\$ --	\$ --	\$ --	\$ --	\$ 26,083
--	176,001	--	--	176,001
--	--	--	--	296,509
890	--	5	10	1,178
--	--	--	7,841	718,001
--	--	--	8,017	19,060
<u>890</u>	<u>176,001</u>	<u>5</u>	<u>15,868</u>	<u>1,236,832</u>
17,825	--	--	5,853	50,652
--	--	--	--	669,627
--	55,748	--	--	141,164
--	--	--	--	20,607
--	34,290	--	--	114,294
<u>17,825</u>	<u>90,038</u>	<u>--</u>	<u>5,853</u>	<u>996,344</u>
(16,935)	85,963	5	10,015	240,488
--	--	--	--	4,915
--	--	--	--	13,156
--	(76,795)	--	--	(246,451)
<u>--</u>	<u>(76,795)</u>	<u>--</u>	<u>--</u>	<u>(228,380)</u>
(16,935)	9,168	5	10,015	12,108
<u>166,701</u>	<u>19,128</u>	<u>45,616</u>	<u>--</u>	<u>928,435</u>
<u>\$ 149,766</u>	<u>\$ 28,296</u>	<u>\$ 45,621</u>	<u>\$ 10,015</u>	<u>\$ 940,543</u>

CITY OF ATLANTIC, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2014

		Special Revenue	
	<u>Road Use</u>	<u>Local Option Sales Tax</u>	<u>Police Pension</u>
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ 451,022	\$ --	\$ --
Tax increment financing	--	--	--
Other purposes	<u>--</u>	<u>253,935</u>	<u>1,888</u>
Total cash basis fund balances	<u>\$ 451,022</u>	<u>\$ 253,935</u>	<u>\$ 1,888</u>

See accompanying independent auditor's report.

Special Revenue				
<u>Fire Pension</u>	<u>Tax Increment Financing</u>	<u>Grant Matching</u>	<u>Police Forfeiture</u>	<u>Total</u>
\$ --	\$ --	\$ --	\$ --	\$ 451,022
--	28,296	--	--	28,296
<u>149,766</u>	<u>--</u>	<u>45,621</u>	<u>10,015</u>	<u>461,225</u>
<u>\$ 149,766</u>	<u>\$ 28,296</u>	<u>\$ 45,621</u>	<u>\$ 10,015</u>	<u>\$ 940,543</u>

CITY OF ATLANTIC, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
INTERNAL SERVICE FUNDS

As of and for the year ended June 30, 2014

	<u>Payroll Revolving</u>	<u>Medical Benefit Self Insurance</u>
Operating receipts:		
Charges for service:		
Personal service costs from operating funds	\$ 2,015,200	\$ 702,757
Operating disbursements:		
Governmental activities:		
Public safety	836,682	317,282
Public works	360,330	144,846
Culture and recreation	262,183	62,077
Community and economic development	27,914	--
General government	309,378	62,077
Business type activities	218,713	103,462
Total operating disbursements	<u>2,015,200</u>	<u>689,744</u>
Excess of receipts over disbursements	--	13,013
Non-operating receipts:		
Interest on investments	<u>--</u>	<u>194</u>
Change in cash balances	--	13,207
Cash balances beginning of year	<u>--</u>	<u>153,444</u>
Cash balances end of year	<u>\$ --</u>	<u>\$ 166,651</u>

See accompanying independent auditor's report.

<u>Cafeteria Plan</u>	<u>Total</u>
\$ <u>10,139</u>	\$ <u>2,728,096</u>
3,449	1,157,413
--	505,176
2,269	326,529
--	27,914
2,269	373,724
<u>1,090</u>	<u>323,265</u>
<u>9,077</u>	<u>2,714,021</u>
1,062	14,075
--	194
1,062	14,269
<u>116</u>	<u>153,560</u>
<u>\$ 1,178</u>	<u>\$ 167,829</u>

CITY OF ATLANTIC, IOWA
SCHEDULE OF INDEBTEDNESS
Year ended June 30, 2014

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds:			
Fire equipment	January 15, 2009	4.30-4.55%	\$ 395,000
Refunding	October 26, 2010	0.70-1.85%	1,610,000
Corporate purpose	April 27, 2011	2.50-3.70%	3,100,000
Corporate purpose	March 28, 2012	1.10-2.50%	4,950,000
Corporate purpose	May 30, 2013	0.25-2.50%	2,720,000
Total General Obligation Bonds			
Tax increment financing (TIF) revenue bonds:			
North urban renewal business park	March 21, 2006	5.75%	255,000
Revenue Bonds:			
Local option sales tax	March 1, 2004	4.80%	1,000,000
Sewer	June 24, 2011	3.00%	11,707,000
Total Revenue Bonds			

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 215,000	\$ --	\$ 40,000	\$ 175,000	\$ 9,515	\$ 650
475,000	--	280,000	195,000	6,968	301
2,835,000	--	100,000	2,735,000	86,894	7,033
4,435,000	--	245,000	4,190,000	85,997	6,758
<u>2,720,000</u>	<u>--</u>	<u>400,000</u>	<u>2,320,000</u>	<u>32,764</u>	<u>2,659</u>
<u>\$10,680,000</u>	<u>\$ --</u>	<u>\$1,065,000</u>	<u>\$ 9,615,000</u>	<u>\$ 222,138</u>	<u>\$ 17,401</u>
<u>\$ 92,000</u>	<u>\$ --</u>	<u>\$ 29,000</u>	<u>\$ 63,000</u>	<u>\$ 5,290</u>	<u>\$ 302</u>
\$ 717,160	\$ --	\$ 45,580	\$ 671,580	\$ 34,424	\$ 16,118
<u>11,374,285</u>	<u>--</u>	<u>321,000</u>	<u>11,053,285</u>	<u>356,135</u>	<u>26,038</u>
<u>\$12,091,445</u>	<u>\$ --</u>	<u>\$ 366,580</u>	<u>\$ 11,724,865</u>	<u>\$ 390,559</u>	<u>\$ 42,156</u>

CITY OF ATLANTIC, IOWA
BOND AND NOTE MATURITIES
June 30, 2014

General Obligation Bonds

<u>Year ending June 30,</u>	<u>Fire Equipment Issued Jan. 15, 2009</u>		<u>Refunding Issued Oct. 26, 2010</u>		<u>Corporate Purpose Issued April 27, 2011</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2015	4.30%	\$ 40,000	1.85%	\$ 130,000	2.500%	\$ 170,000
2016	4.30%	45,000	1.85%	65,000	2.625%	200,000
2017	4.30%	45,000			2.625%	205,000
2018	4.30%	45,000			2.625%	210,000
2019					2.625%	215,000
2020					2.850%	225,000
2021					3.100%	230,000
2022					3.250%	240,000
2023					3.400%	250,000
2024					3.500%	255,000
2025					3.600%	260,000
2026					3.700%	275,000
2027						
2028						
		<u>\$ 175,000</u>		<u>\$ 195,000</u>		<u>\$2,735,000</u>

Revenue Bonds

<u>Year ending June 30,</u>	<u>Local Option Sales Tax Issued March 1, 2004</u>		<u>Sewer Revenue Bond Issued June 24, 2011</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2015	4.80%	\$ 47,768	3.25%	\$ 326,285
2016	4.80%	50,061	3.25%	341,000
2017	4.80%	52,464	3.25%	353,000
2018	4.80%	54,982	3.25%	364,000
2019	4.80%	57,621	3.25%	376,000
2020	4.80%	60,387	3.25%	388,000
2021	4.80%	63,286	3.25%	401,000
2022	4.80%	66,323	3.25%	414,000
2023	4.80%	69,507	3.25%	427,000
2024	4.80%	72,843	3.25%	441,000
2025	4.80%	76,338	3.25%	455,000
2026			3.25%	470,000
2027			3.25%	485,000
2028			3.25%	501,000
2029			3.25%	518,000
2030			3.25%	534,000
2031			3.25%	552,000
2032			3.25%	570,000
2033			3.25%	588,000
2034			3.25%	607,000
2035			3.25%	627,000
2036			3.25%	647,000
2037			3.25%	668,000
		<u>\$ 671,580</u>		<u>\$ 11,053,285</u>

See accompanying independent auditor's report.

Corporate Purpose Refunding Issued March 28, 2012		Corporate Purpose Issued May 30, 2013	
Interest Rates	Amount	Interest Rates	Amount
2.00%	\$ 310,000	0.40%	\$ 480,000
2.00%	265,000	1.00%	120,000
2.00%	305,000	1.00%	80,000
1.10%	305,000	1.00%	80,000
1.30%	340,000	1.00%	140,000
1.50%	325,000	1.05%	140,000
1.70%	320,000	1.25%	155,000
1.90%	305,000	1.50%	160,000
2.05%	305,000	1.75%	170,000
2.20%	305,000	1.90%	175,000
2.30%	325,000	2.00%	180,000
2.40%	325,000	2.15%	145,000
2.50%	455,000	2.30%	155,000
			140,000
	<u>\$4,190,000</u>		<u>\$2,320,000</u>

Tax Increment Financing Bonds Issued March 21, 2006	
Interest Rates	Amount
5.75%	\$ 30,500
5.75%	32,500

\$ 63,000

CITY OF ATLANTIC, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Last Ten Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Receipts:				
Property tax	\$ 3,591,699	\$ 3,399,467	\$ 3,099,062	\$ 2,841,706
Tax increment financing	176,001	86,689	86,256	123,056
Local option sales tax	776,080	831,635	812,825	724,158
Other city tax	48,949	199,462	194,936	137,681
Licenses and permits	78,881	41,275	23,467	57,657
Use of money and property	77,437	64,033	72,917	56,908
Intergovernmental	1,264,235	2,087,557	1,248,563	3,392,059
Charges for service	323,523	48,828	60,848	51,088
Special assessments	--	--	--	--
Miscellaneous	<u>1,043,110</u>	<u>479,894</u>	<u>708,977</u>	<u>711,878</u>
Total	<u>\$ 7,379,915</u>	<u>\$ 7,238,840</u>	<u>\$ 6,307,851</u>	<u>\$ 8,096,191</u>
Disbursements:				
Operating:				
Public safety	\$ 1,930,214	\$ 2,048,567	\$ 1,668,348	\$ 1,563,057
Public works	1,323,582	1,421,162	1,243,574	1,270,811
Health and social services	--	--	12,543	10,349
Culture and recreation	718,912	737,974	786,566	734,533
Community and economic development	225,955	268,794	245,333	294,740
General government	579,605	579,927	573,544	512,557
Debt service	1,613,819	1,338,566	1,289,596	1,013,557
Capital projects	<u>3,878,443</u>	<u>4,337,072</u>	<u>3,508,919</u>	<u>2,742,110</u>
Total	<u>\$ 10,270,530</u>	<u>\$ 10,732,062</u>	<u>\$ 9,328,423</u>	<u>\$ 8,141,714</u>

See accompanying independent auditor's report.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 2,610,770	\$ 2,848,499	\$ 2,728,825	\$ 2,563,716	\$ 2,439,308	\$ 2,377,815
124,486	109,725	247,992	238,660	158,355	212,041
739,713	774,698	674,076	726,447	582,645	533,772
130,595	132,693	130,483	116,357	113,038	119,718
55,387	46,329	28,908	26,704	29,882	26,464
65,980	115,318	159,049	171,874	135,334	74,608
1,739,197	1,625,672	2,745,491	4,085,700	3,622,092	2,603,514
50,054	39,586	37,908	38,493	41,544	33,986
--	--	--	--	729	7,624
<u>351,292</u>	<u>738,535</u>	<u>276,775</u>	<u>476,955</u>	<u>454,504</u>	<u>497,487</u>
<u>\$ 5,867,474</u>	<u>\$ 6,431,055</u>	<u>\$ 7,029,507</u>	<u>\$ 8,444,906</u>	<u>\$ 7,577,431</u>	<u>\$ 6,487,029</u>
\$ 1,917,127	\$ 1,929,247	\$ 2,128,960	\$ 1,951,333	\$ 1,965,094	\$ 1,468,009
1,444,231	1,516,690	1,460,714	1,131,099	1,194,866	977,604
9,700	11,993	9,998	--	12,385	21,873
505,058	539,893	518,574	553,493	423,996	405,853
206,676	210,406	382,197	256,151	494,547	121,653
514,114	521,550	505,944	499,782	456,453	429,838
1,057,967	1,094,777	1,974,011	1,100,134	1,079,642	1,239,380
<u>1,843,733</u>	<u>1,389,972</u>	<u>2,033,635</u>	<u>3,475,138</u>	<u>3,213,291</u>	<u>2,885,382</u>
<u>\$ 7,498,606</u>	<u>\$ 7,214,528</u>	<u>\$ 9,014,033</u>	<u>\$ 8,967,130</u>	<u>\$ 8,840,274</u>	<u>\$ 7,549,592</u>

CITY OF ATLANTIC, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2014

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-19-0005-10	\$ 38,238
Airport Improvement Program	20.106	3-19-0005-11	<u>314,605</u>
			352,843
U.S. Department of Justice:			
Bureau of Justice Assistance:			
Bulletproof Vest Partnership Program	16.607		1,700
U.S. Department of Homeland Security			
Federal Emergency Management Agency:			
Assistance to Firefighters Grant	97.044	EMW-2011-FR-00155	<u>55,860</u>
Total direct			<u>410,403</u>
Indirect:			
U.S. Department of Housing and Urban			
Development:			
Iowa Department of Economic Development:			
Community Development Block Grant			
Program	14.228	11-HSG-001	142,131
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	PAP 13-03, Task 111	<u>4,500</u>
Total indirect			<u>146,631</u>
			<u>\$ 557,034</u>

Basis of Presentation -The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Atlantic and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 28, 2015. Our report expressed an adverse opinion and unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Atlantic's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Atlantic's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Atlantic's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control we consider to be significant deficiencies.

To the Honorable Mayor and
Members of the City Council

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Atlantic's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questions Costs as item 14-II-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Atlantic's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Responses to Findings

The City of Atlantic's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Atlantic's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gmewold, Ben, Kym & W.P.C.

Atlantic, Iowa
January 28, 2015

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Compliance
for Each Major Federal Program, on Internal Control over Compliance
and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

To the Honorable Mayor and
Members of the City Council

Report on Compliance for Each Major Federal Program

We have audited the City of Atlantic, Iowa's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Atlantic's major federal programs for the year ended June 30, 2014. The City of Atlantic's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Atlantic's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Atlantic's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Atlantic's compliance.

To the Honorable Mayor and
Members of the City Council

Opinion on Each Major Federal Program

In our opinion, the City of Atlantic complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of the City of Atlantic is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Atlantic's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Atlantic's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

G. M. Wahl, Bess, Kyhn & Co. P.C.

Atlantic, Iowa
January 28, 2015

CITY OF ATLANTIC, IOWA

Schedule Of Findings And Questioned Costs

Year ended June 30, 2014

PART I: Summary of the Independent Auditor's Results

Financial Statements

- (a) Type of auditor's report issued:
- Unmodified and adverse opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Internal control over financial reporting:
- Material weakness(es) identified? ☐ yes ☒ no
 - Significant deficiency(ies) identified? ☒ yes ☐ none reported
- (c) Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

- (d) Internal control over major program:
- Material weakness(es) identified? ☐ yes ☒ no
 - Significant deficiency(ies) identified? ☐ yes ☒ none reported
- (e) Type of auditor's report issued on compliance for major program:
- Unmodified.
- (f) Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the OMB Circular A-133? ☐ yes ☒ no
- (g) Identification of major program:
- CFDA Number 20.106 - Airport Improvement Program
 - CFDA Number 14.228 - Community Development Block Grant
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- (i) Auditee qualified as low-risk auditee? ☐ yes ☒ no

CITY OF ATLANTIC, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

PART II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

14-II-A Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. However, because there are a limited number of people that have the primary responsibility for the accounting and financial duties, those aspects of internal accounting control which rely upon an adequate segregation of duties are missing in the City.

Recommendation: We recommend that the City review its control procedures to obtain the maximum internal control possible under the circumstances and the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: We will continue work in this area to increase segregation of duties.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF ATLANTIC, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

PART III: Findings and Questioned Costs For Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

PART IV: Other Findings Related to Statutory Reporting

14-IV-A Certified Budget: Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted.

14-IV-B Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

14-IV-C Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

CITY OF ATLANTIC, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

PART IV: Other Findings Related to Statutory Reporting - Continued

14-IV-D Business Transactions: Business transactions between the City and City officials and/or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Mike Henningsen, Airport Commissioner, Owner of Henningsen Construction	Hot mix asphalt Cold patch asphalt	\$ 48,576

The hot mix asphalt and cold patch asphalt transactions do not appear to represent conflicts of interest since they were competitively bid in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

14-IV-E Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

14-IV-F Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.

14-IV-G Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy, except we noted during the audit that the City's deposits at the First Whitney Bank exceeded the maximum depository amount as approved in its depository resolution.

Recommendation: We recommend that the City adopt a revised depository resolution to increase the maximum depository amount that can be held at the First Whitney Bank in accordance with Chapter 12C of the Code of Iowa.

Response: A revised depository resolution was adopted by the City Council at its November 19, 2014 council meeting.

Conclusion: Response accepted.

14-IV-H Revenue Bonds: No instances of non-compliance with the revenue bond resolutions were noted.

CITY OF ATLANTIC, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

PART IV: Other Findings Related to Statutory Reporting - Continued

- 14-IV-I Economic Development: The City provides funding to Cass/Atlantic Economic Development and to the Atlantic Chamber of Commerce. In accordance with Chapter 15A of the Code of Iowa, the City is providing oversight of these funds to determine the funds are being spent in accordance with the agreements and expenses meet the test of public purpose.
- 14-IV-J Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

* * *